Rapid Webinar Update:

Silicon Valley Bank's and Signature Bank's Takeover by the FDIC

March 13, 2023

Seyfarth Shaw LLP

What has changed?

- Signature Bank, a New York commercial bank, was closed on Sunday
- As recommended by the FDIC, the Federal Reserve and the President, Treasury Secretary Yellen approved actions:

“Enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors.”

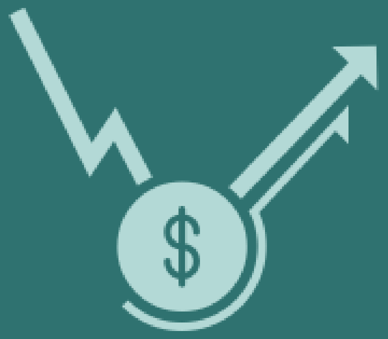
- Depositors gained access to all of their money on Monday, March 13.
- Similar actions have been approved with respect to Signature.

Mechanics

According to the FDIC:

- The FDIC has transferred all deposits—both insured and uninsured—and substantially all assets of the former Silicon Valley Bank and the former Signature Bank, to newly created, full-service FDIC-operated ‘bridge banks’ in an action designed to protect all depositors of Silicon Valley Bank and Signature Bank.
- Depositors and borrowers will automatically become customers of the new FDIC-run banks and will have customer service and access to their funds by ATM, debit cards, and writing checks in the same manner as before.
- The banks’ official checks will continue to clear.
- Loan customers should continue making loan payments as usual.

Is this a "bailout"?



According to Secretary Yellen:

- The transfer of all the deposits was completed under the systemic risk exception approved on Sunday.
- No losses associated with the resolution of the banks will be borne by taxpayers.
- Shareholders and certain unsecured debt holders will not be protected.
- Any losses to the Deposit Insurance Fund to support uninsured depositors will be recovered by a special assessment on banks, as required by law, and may be the subject of litigation brought by the FDIC as receiver against the former bank officers and directors.

Who is in charge?

- SVB Senior management has been removed.
  - The FDIC named **Tim Mayopoulos** as CEO of Silicon Valley Bank.
    - Mr. Mayopoulos is former president and CEO of the Federal National Mortgage Association and most recently served as president of Blend Labs, Inc.
  - The FDIC named **Greg Carmichael** as CEO of Signature Bank.
    - Mr. Carmichael is the former CEO of Fifth Third Bancorp.
- Staff are likely to remain, for at least a short time period

What do we expect?

- Depositors who can disentangle themselves from the banks likely will.
- Depositors who cannot will likely experience delays and inconveniences, and may encounter difficulties with obtaining additional extensions of credit.
- Examples of parties that may not want or be able to immediately leave the banks include:
  - Borrowers with low interest loans;
  - Borrowers with lockbox arrangements;
  - Borrowers required to keep deposit accounts at the bank; and
  - Borrowers with unique banking relationships.
- Bank customers who find themselves in this situation should consult with counsel.

thank you

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